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SIPDIS

SENSITIVE

STATE FOR EB/ESC/TFS (LLAMBERT), EUR/ERA, AND EUR/WE
TREASURY FOR TFFC, OFAC, OIA
JUSTICE FOR CRM/AFMLS

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SUBJECT: GOF receptive to blocking WMD Financing

SENSITIVE BUT UNCLASSIFIED, NOT FOR INTERNET

¶11. (SBU) SUMMARY: GOF officials welcomed proposals by visiting Treasury U/S Levey to block the financing of WMD proliferators. They also described progress on new anti-terrorist legislation, which will close some loopholes while providing a framework to guarantee individual liberties. The legislation should enter into force before the end of the year. END SUMMARY

¶12. (U) Under Secretary of Treasury for Terrorism and Financial Crimes Stuart Levey led a delegation for meetings with GOF officials during a visit to Paris September 26-27. Delegation members included David Nelson, Director, Terrorism Finance and Economic Sanctions Policy, EB; Adam Szubin, Senior Advisor; Justin Serafini, Policy Advisor for Europe; Molly Millerwise, Public Affairs Specialist for Enforcement; Susan Ireland, Regional Specialist (FINCEN); and Christopher Burdick, Regional Specialist (OFAC). Meetings were held with the Bank of France's Banking Commission; the GOF FIU, TRACFIN; at the MFA with Interior and Defense Ministry representatives; and at the Ministry of Economy, Finance & Industry.

WEAPONS OF MASS DESTRUCTION FINANCING

¶13. (SBU) The main accomplishment of the visit was securing a positive response to the idea that the international community should find a way to combat those who are engaged in WMD proliferation. At the MFA meeting, arranged as an inter-ministerial meeting to maximize GOF buy-in, the USDEL spoke of US Executive Order 13382, and pressed the GOF to consider helping the USG convince other countries to take similar action. Paul Dahan, Deputy Director of the MFA bureau of Strategic Affairs, Security and Disarmament, replied that the GOF would need to see two elements to support this approach: legitimacy and efficiency. He stressed the need for an international norm or treaty, and inquired if the USG intention was to have a treaty, a UN resolution, or a coalition of willing states. He suggested the USG should very clearly define what it wants, and invited the USDEL to produce a paper, which could form the basis for pushing the matter forward with other countries. He cautioned that the problem of persuasion would be the perception that the large countries were imposing their will on small countries, so he advocated assembling a critical mass of countries. He signaled the GOF interest in supporting the USG on this issue, and willingness to further explore implementation modalities.

NEW FRENCH ANTI-TERRORISM LAW

¶14. (SBU) The day before the USDEL arrived in Paris, the Ministry of Interior leaked to the press that it has prepared new anti-terrorism legislation. The USDEL asked for more details, and according to TRACFIN contacts, the new legislation would close a loophole in French law, namely, the inability of the GOF to freeze the assets of EU citizens resident in France who engage in terrorist-related activities. To address concerns about due process, the legislation would grant oversight authority of data collection to the National Commission for Information and Liberty (CNIL). The legislation would expand the circle of professionals required to file Suspicious Activity Reports with TRACFIN to include attorneys and real estate agents. Greater details are planned to be unveiled at the next FATF meeting. The proposed legislation is still under internal review but according to TRACFIN should enter into force by the end of this year.

OTHER ISSUES

¶15. (SBU) The USDEL met with the central bank's Banking Commission Secretary General, Daniele Nouy, who described the GOF regulatory approach. France encourages private sector responsibility, with a new focus on "knowing your structure" (as opposed to simply "your clients"). She characterized this focus as moving in the direction of the Spanish form of regulation. The Commission insists that the private financial sector use all available information, even

information publicized by other countries, in deciding how to undertake their financial transactions. The USDEL encouraged the Commission to have financial institutions look at our 311 actions as guides to entities of money laundering concern. Turning to the underground economy, Nouy commented that postal orders in France have been very convenient, which has been an incentive to use regular financial channels. The principal destinations have been India, Algeria, Mali and China. Iran and the former French colonies tend to use informal transfers. The problem with implementing FATF guidelines is that tightening postal transfers would encourage illicit transfers. Nevertheless, France will continue pressuring its postal service, and will launch a campaign against illegal transfers next year.

¶ 16. (SBU) TRACFIN stated GOF priorities now are to pay attention to the movement of cash, as experience shows only a small amount of money can cause great harm. Another priority, which TRACFIN pressed the USDEL to emulate, includes scrutinizing the activities of charities. TRACFIN is particularly interested in the Arabic communities in rural areas, and suggested more information exchanges with deeper analysis are needed within the intelligence community.

¶ 17. (SBU) At the Ministry of Economy, Xavier Musca, Director General of Finance and Political Economics, pointed out that the US focuses on targets, which tends to chase targets into the underground economy, while France focuses on systems, to ensure it keeps getting financial intelligence. France, for example, does not allow the use of cash for any transaction greater than 3,000 euros, nor are check endorsements allowed. The USDEL countered that the USG also emphasizes the systemic side, and takes many measures to keep people in the banking system. However, when it comes to terrorist financing, banks face difficulties in detection, as the transactions are not inherently suspicious. Musca agreed that in this area, governments must use intel to trace the money flow and inform banks of problematic targets. He stressed in this regard the primacy in France of the police and intelligence agencies, in contrast with US Treasury enforcement powers.

¶ 18. (U) U/S Levey also engaged the media at a press conference, where he outlined his goals in France, Italy and Austria and urged EU members to improve their anti-terrorist procedures.

¶ 19. (SBU) COMMENT: The positive GOF response to the WMD initiative is no doubt due in part to the appeal of solving a problem of mutual self-interest in a multilateral context. While much work remains to be done to implement this idea in France, France appears as willing as always to be helpful in the international arena in counter-terrorism cooperation.

¶ 10. (U) U/S Levey has cleared this report.
STAPLETON#